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Wednesday 8 October 2014

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des débats
(Hansard)**

Mercredi 8 octobre 2014

**Standing Committee on
Estimates**

Ministry of Infrastructure

**Comité permanent des
budgets des dépenses**

Ministère de l'Infrastructure

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Hansard Reporting and Interpretation Services
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 8 October 2014

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The committee met at 0903 in room 151.

MINISTRY OF INFRASTRUCTURE

The Chair (Ms. Cindy Forster): Good morning, members. We're here this morning to resume consideration of the estimates of the Ministry of Infrastructure. There are a total of six hours and 35 minutes remaining, but before we resume this consideration of the estimates of the Ministry of Infrastructure, if there are any inquiries from yesterday that the ministry or the minister have responses to, perhaps that information can be distributed by the Clerk at the beginning, in order to assist the members with any further questions.

Are there any items, Minister?

Hon. Brad Duguid: No. I don't believe so.

The Chair (Ms. Cindy Forster): Okay, so when the committee was—

Mr. Ted Arnott: Point of order, Chair?

The Chair (Ms. Cindy Forster): Yes, Mr. Arnott.

Mr. Ted Arnott: Yesterday, I made a request that the committee receive a copy of the 10-year infrastructure plan that the government says has been made public. In fact, the minister yesterday, I think, said that it was a public document. We would like to see the list of the projects that the government has approved and that the government is studying, at least. We made that request yesterday. We were hoping to get it today. We would again make the same request.

The Chair (Ms. Cindy Forster): To the minister.

Hon. Brad Duguid: It's on the website. It's a public document. It's a published, public document. You've got research staff. I'm sure they can dig it up for you right now.

Mr. Ted Arnott: On the ministry website?

Hon. Brad Duguid: Yes.

Mr. Ted Arnott: Okay.

Mr. Giles Gherson: The IO website.

Hon. Brad Duguid: The IO website.

Mr. Ted Arnott: Thank you.

Hon. Brad Duguid: I believe most of what you would have looked for yesterday, you'll find on the websites, and fairly readily, but if you have questions, we can give you the websites to go to.

Mr. Ted Arnott: I can find it. Thank you.

Interjection.

The Chair (Ms. Cindy Forster): The research staff will actually get that information for us at the end of today.

When the committee was adjourned yesterday, the third party had the floor. You have 13 minutes remaining in your rotation this morning.

Mr. Percy Hatfield: Thank you. We had also asked for some documents to be tabled today, some reports, some internal studies. I don't have a complete list in front of me, but I take it there's nothing forthcoming?

Mr. Giles Gherson: The study that Infrastructure Ontario did on risk transfer is on their website, so it's a public document.

Mr. Percy Hatfield: Okay.

Mr. Giles Gherson: There was a study that was alluded to that is in the course of being prepared, as I think my colleague mentioned yesterday, which is still in rough draft form. I think it was mentioned that it would probably be several months before it would be finalized.

Mr. Percy Hatfield: Well, thank you. I'll have to go back to the Hansard from yesterday and see what else was requested and then, at our next meeting, bring that up.

Thank you, Madam Chair, and good morning. Good morning, Minister, Deputy.

I want to get back, if I could, to the AFP projects we talked about yesterday for a while. I'm sure you've read the study of the 28 Ontario AFP projects worth more than \$7 billion by University of Toronto professor Matti Siemiatycki and researcher Naeem Farooqi. I apologize if I've mispronounced those names. They found that public-private partnerships cost an average of 16% more than conventional tendered contracts. What is your interpretation of Professor Siemiatycki's work?

Hon. Brad Duguid: One of the reasons why not all projects are done by AFP is that some projects are more geared to an AFP process and others aren't. Infrastructure Ontario does a very thorough analysis before they determine which route to go as to, in particular, things like potential for cost overruns, value of the project and exposure for taxpayers.

The other important point to make is that all of these projects are done through an RFP process, so the actual cost of the risk transfer, the actual cost of the project, really depends on the competitive process that moves forward. So I'm sure analysis can be done one way or another.

At the end of the day, I look at our experience to date. I look at, for instance, the Bruce project that was over time and over budget by a significant amount and how exposure to taxpayer impact was so reduced because of that. I'd have to go back and look to see how many tens of millions of dollars were saved for taxpayers in that particular project, but it was significant.

So recognize that there will from time to time be studies done, but I want to be clear with the committee: I and my government, and I think other jurisdictions that are studying and learning and modelling our forms of procurement around the world, will tell you that this more modern way to do procurement that takes risk away from the taxpayer where appropriate is the superior way to go. I remain committed to that approach where appropriate. I'm actually quite pleased, when I've seen the roll-out of these projects, how many of them have been on time and on budget: 28 out of 30—and I always get this mixed up—on time, and 29 out of 30 on or under budget, of the first 30 projects to go through. That's a pretty darn good track record that rivals, I would expect, any jurisdiction anywhere in the world. I recognize that there'll be those who may take a different philosophical position on these. I recognize there may be some studies done here and there. But at the end of the day, I just think it's a more sensible, reasonable way to do procurement in Ontario.

0910

Mr. Percy Hatfield: I know there are various ways of looking at it, but one of the professor's conclusions is that the higher cost mainly reflects the fact that private borrowers typically pay higher interest rates than governments. He finds that transaction costs for lawyers and consultants, for example, also add about 3% to the final AFP bill. Would you agree with that?

Hon. Brad Duguid: I wouldn't agree or disagree with it. I wouldn't be in a position to be able to comment on that analysis at this point in time, other than to say that I recognize that there is a cost to the risk transfer; there's no question. What that is will depend on the individual project and the competitive price that you attain for that project.

I believe that transferring the risk to the private sector does two things. It produces an in-depth, in-project incentive for the private sector to deliver the project on time, on or under budget, which is important. It also transfers that risk from the taxpayer, and where appropriate—as I said, we don't do this for all of our projects; we do it where appropriate—I think that is a much better business model for the province to move forward on. Is there some cost to that? Yes, there is. But there are significant savings, I would expect, from cost overruns, which we've experienced and taxpayers have benefited from already, and savings in terms of delivering projects on time, on budget, at a rate and a record that is at this point in time, to the best of my knowledge, probably second to none right now in North America, in terms of jurisdictions.

Mr. Percy Hatfield: Minister, let me take you back to yesterday. We talked about the risk premium. Professor Siemiatycki found that the average risk premium of the projects that he studied was 49%, although he does conclude that no empirical evidence is provided to substantiate the risk allocations, making it difficult to assess their accuracy and validity. How would you respond to that conclusion?

Hon. Brad Duguid: As we indicated yesterday, we have put in place one of the best, most effective, modernized procurement processes for infrastructure anywhere in North America, maybe anywhere in the world, today. We are a model for others. We're proud of that, but we're not resting on our laurels.

Infrastructure Ontario is always looking at ways to find improvements to that process. The fact of the matter is, no matter what process you have in place, there's no perfect process, and we recognize that. As much as we're proud of what has been accomplished so far through the AFP process, as much as it has benefited taxpayers—to a very large measure, in some cases—we do look for ways to continue to improve that process. We're happy to take reports that may be critical from time to time or may have other suggestions under consideration. I look to my folks at Infrastructure Ontario, whom I have a great deal of confidence in—they're experts in this field—to take a look at that information and determine whether they are in agreement with the analysis, because they may or may not be from time to time, and where appropriate adjust our way of doing procurement in the public interest.

Mr. Percy Hatfield: I know you want to be as transparent as possible; I've heard that repeatedly. But the professor was suggesting that the public sector cost overrun comparator had no real empirical basis, so the AFPs seem to be the cost-effective option in the value-for-money audits only because the traditional financing cost overrun estimate was so high. He couldn't find much evidence for these very high-cost overruns. There was just no evidence being put out there. How do you respond to that?

Hon. Brad Duguid: There's lots of evidence, when you look at the past procurement policies of governments of all stripes over the last number of decades and you look at cost overruns and projects. Let me give you an example. I don't have the numbers of this, but Union Station right now; that's before us now. I believe that's a traditional approach, and that's looking to be a real challenge. I don't want to pretend that I'm an expert on the challenges at Union Station—I read about it in the newspapers—but I would suggest that had they taken our approach to Union Station, that project would be in much better shape today than it is right now.

Mr. Percy Hatfield: The professor goes on to say that if you set the value too high and P3s become vehicles, then governments subsidize inflated profits of powerful and well-connected contractors at financial institutions. What would your response to that be?

Hon. Brad Duguid: I know that the NDP has a less-than-supportive view of the private sector making profits.

What I've come to the conclusion on, and I think many have, is when you look at our record of infrastructure building, when you look at the 23 new hospitals, the 650 new schools, when you look at 7,900 kilometres of highways being built, 950 bridges, when you look at a record \$100-million investment in infrastructure and you look at the 30 projects that have come through on AFP and their record of success, an unprecedented record of success—I think the only conclusion I can come to is that having that private sector involvement in these projects has been helpful and in the public interest.

I don't expect the private sector to partner with government at a loss. I don't think anybody does. I think we'd be naive to think that; they're the private sector. When the private sector makes profit from these projects, that's part and parcel of the partnership. The benefit to the public, though, far outweighs that.

I have no philosophical concern about the private sector making profits. What I want to do is deliver projects on time, on budget, at the best value to taxpayers. That's what this approach does. Is it perfect? Probably not—

The Chair (Ms. Cindy Forster): Minister, you'll need to wrap up. The rotation is over.

Hon. Brad Duguid: —but it is the best procurement process that we're aware of in North America right now. The fact that others are modelling after ours, I think, is a good indication of that. But I appreciate the questions.

The Chair (Ms. Cindy Forster): The government: Ms. Lalonde?

Mrs. Marie-France Lalonde: Oh, me?

Mr. Han Dong: No, it's Peter.

The Chair (Ms. Cindy Forster): Oh, it's Peter? Mr. Milczyn.

Mr. Peter Z. Milczyn: Thank you, Madam Chair.

Minister, in my riding of Etobicoke–Lakeshore, right now the government is investing in upgrades to Mimico GO station. We're on the cusp of starting a new Kipling mobility hub that Metrolinx will be building. There's support for some refurbishment of Islington subway station and, of course, massive investments in GO—and one of the main rail yards for GO is in my riding of Etobicoke–Lakeshore. Humber College, south campus, is seeing investments.

All of those investments in Etobicoke–Lakeshore that I see, other than municipal ones, are being funded by the province of Ontario. I don't see any federal signs on any projects. I know the OECD has said that modern economies should be investing about 5% of their GDP in capital infrastructure, both renewal and new builds—a combination of our 10-year plan of \$130 billion of investment. Where is the federal government in this? Are they matching our level of investment? What is our level of investment as a percentage of GDP, and how are we faring? Are the feds doing their share for Ontario?

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Hon. Brad Duguid: I know when we raised this issue—and the Premier has been a national leader on this—

Mr. Randy Hillier: Point of order, Chair.

The Chair (Ms. Cindy Forster): Mr. Hillier.

Mr. Randy Hillier: We are examining the provincial estimates, not the federal government estimates. I just wanted to make that aware to the government side, that—

Mr. Peter Z. Milczyn: I just wanted a comparison.

The Chair (Ms. Cindy Forster): Thank you for the point of order.

Mr. Milczyn.

Interjection.

Hon. Brad Duguid: Thank you. I know that when we talk about the comparison of the province of Ontario's commitment to infrastructure to the federal commitment to infrastructure, there are times when the official opposition may roll their eyes a little bit. I understand that. This isn't about trying to score political points. Look, we have a four-year mandate. We're not going to the polls for a long time. To us, it's about fighting for Ontarians—

Mr. Bas Balkissoon: For a fair share.

Hon. Brad Duguid: —for fairness, and standing up to ensure that if we're making these significant investments, we need a national government that's committed to doing at least what we're doing, if not more. Most other jurisdictions see their infrastructure investments led by their national governments. In this country, infrastructure investments are now being led by provincial governments. The federal government likes to brag about how close they are to surplus. If they are in that position, then they're in an even better position than we are today to make these important investments.

We recognize how important these investments are to our economy, to growing a strong economy, to ultimately helping us address our deficit challenges, because that's really the best way we can address our deficit challenges. Supporting 110,000 jobs every year through our \$130-billion-over-10-years investment is something that's good for our economy and is going to help us reach our long-term deficit challenges.

But by comparison, I think it's important that people realize it and it's important that we continue to talk about this as a federal election does come forward—for all parties to recognize that there's a need to invest more on the national level in infrastructure. We're investing \$130 billion over 10 years. That's a record amount of investment. We're proud of that commitment, and we're going to deliver that. In Canada, their national commitment, not just to Ontario—their national commitment over that 10-year period is \$70 billion; \$130 billion just in Ontario compared to \$70 billion right across the country. That's woefully, woefully inadequate.

We've been building infrastructure here by and large on our own. There's been some commitment from the federal government. We welcome that, but it's not even close to what it ought to be. I just think if the federal government were to match our commitment to infrastructure, just think of what we could do. Just think of what we could do on public transit. Just think of what we could do when it comes to helping municipalities with their infrastructure deficits and building stronger communities. Think of what we could do on water/waste

water and some of the challenges we have there. Think of what we could do across the north and across the province on roads and bridges.

We're already doing more than any government has ever done when it comes to investing in those projects, but we've been having to make up for a lack of investment over generations that preceded us. So we need the federal government at the table as an aggressive investor in infrastructure. That's good for our national economy from coast to coast to coast. I certainly will be looking, and I think all of us will be looking, to all of our respective parties for commitments on infrastructure going into this next election, because I think it's important. It's important to the quality of life in our communities. It's important to our future economic competitiveness.

Mr. Peter Z. Milczyn: Just as a brief follow-up, I don't want to leave the impression that there is no funding. The York-University-Spadina subway—one third funding is federal. Support for Waterfront Toronto has been there from the federal government, and hopefully there will be more.

Do you have any figures of a percentage of GDP that the feds are spending and how that might compare to other national governments?

Hon. Brad Duguid: Well, yes, but it does fluctuate from year to year. Often it's because there are some significant projects that sometimes come and go. So we've used figures—I've seen figures. Right now the numbers I prefer to use, because they're very accurate, are what we're projecting to spend over the next 10 years. But there are figures—we meet the guideline when it comes to the international recommendation for per cent of GDP. The federal government is a long, long way off. It really depends on what numbers you want to use, as to how far they're off, but any set of numbers you use would show a percentage that's well beyond the international recommended average.

I agree with you, though. We don't want to leave the impression that the federal government is not participating at all in these projects. They have come to the table from time to time on some projects, sometimes not to the level we have; sometimes they do match. One of our municipal infrastructure programs that we announced this fall has some federal partnership in it as well. They are at the table, but they're woefully inadequate as to what they're bringing to the table.

It's important that we continue to get that message out to Ontarians and Canadians. Our Premier, I know, is a national leader on this issue. I know at the Council of the Federation, she has taken the lead and will continue to work with her Premier colleagues, all of whom, I believe without exception, take the same position Ontario does. We may be a little more outspoken than some of the others because this is something that we feel very strongly about.

Mr. Peter Z. Milczyn: Thank you.

The Chair (Ms. Cindy Forster): The government still has the floor. Ms. Lalonde.

Mrs. Marie-France Lalonde: Thank you, Madam Chair—

Hon. Brad Duguid: How much more time do we have?

Mr. Percy Hatfield: All day.

Interjection.

The Chair (Ms. Cindy Forster): Ten minutes.

Mrs. Marie-France Lalonde: Well, as the newly elected MPP for Ottawa-Orléans, this is my first time attending a committee. It gives me great pleasure, actually, to be part of this process.

Hon. Brad Duguid: Me, too.

Mrs. Marie-France Lalonde: Good. I'm glad.

When you look at schools, and the issue for my riding—we have a growing need for new schools. There's always that growth that faces challenges for our school system in my riding. I was very, very content to see the last announcement from Minister Sandals and our government for 10 new projects. One of them, actually, was in my riding. It was a French elementary school that desperately needed to receive funding to build an additional school.

So, Minister and/or any official, please, can you provide the committee with an update of our 10-year plan to improve Ontario's education infrastructure?

Hon. Brad Duguid: I can. I know the opposition were listening carefully to see whether we would dive into your individual concerns or your individual interests, because—and we will—we have to remain consistent here when it comes to the individual projects. We may hear from the opposition on other individual projects. We're happy to get updates and whatnot through the front-line ministries, in this case the Ministry of Education.

But our Ministry of Infrastructure really deals with the overriding policies that go into infrastructure, and the individual ministries are responsible for the individual projects and the prioritization of those projects as we move forward. So I won't be able to comment directly on the projects happening in Orléans. I know you've been a real strong champion of those projects and have been for a long time, and I know you're excited about them because you've talked to me about them in the past, which is great. But today, I don't have that kind of information with me on the individual projects.

Overall, we're providing \$11 billion over the next 10 years for elementary and secondary education infrastructure. That's a very significant investment. That includes \$4.2 billion to help address school repairs, which is important. I hear that in my riding; we all do. We've invested significantly—record amounts—in rebuilding our schools over the last 10 years. They were in pretty bad shape 10 years ago. I think we all know that. We've had a lot of work to do to try to get them back into shape.

In communities like mine—yours is a little newer than mine; not that much, but a little newer than mine. I'm from Scarborough. Most of my schools were built 50 years ago. That's a long time. They're old buildings now, and because you have the 50-year celebrations in the schools, that happened for me—probably in the last five

years almost every one of my schools has had a 50-year celebration. Your schools are a little newer than that, but that is a serious challenge, state-of-good-repair investment, and it continues to be because we have an aging infrastructure in a lot of our schools. We want to make sure that our students have learning facilities that are safe, and they all ought to be and I expect they all are, because we have made significant investments to upgrade them, but we know there are still more challenges there. There are issues in some schools—I know some in my area have algae issues and things like that—and it's really important for us to continue to fund boards of education to tackle those issues.

0930

I think sometimes when our constituents come to our offices they get a little confused about who's in charge of what when it comes to some of these investments. We do make significant overall investments to our boards and provide a great deal of support; in this case, \$4.2 billion to help address school repairs over the next 10 years. That's a significant investment, and it's up to the boards—I'm sure they could use double that—to prioritize where that goes. It does get challenging in all of our offices sometimes to be able to explain to constituents that we're making the investment, it's significant and probably a record level of investment, but where those dollars go in terms of which schools are priorities has to be done through the process that the boards are responsible for. I always like to explain that every chance I get because sometimes I think that constituents think that somehow or another as MPPs we can say, "Well, it's got to be this school and not that school," and that's not really our role. Our role is to try to backstop these investments as best we can.

We're also spending \$750 million over four years in new capital funding to support school consolidations. I've seen that in my own community and others. That makes sense often, too. Instead of having two schools close by each other—two old, aging schools that either need to be gutted or fully repaired—it sometimes makes sense to consolidate into one brand new school that's modernized with new facilities, and that can be exciting in communities as well. It will be challenging, because we all love our schools, especially the schools we all went to; you hate to see—change is hard sometimes in communities, so those can be challenging discussions in our communities. But at the end of the day, the interests of our kids, the interests of our students have to be paramount. So we're seeing a number of those types of issues coming forward, and we've set aside, over the next 10 years, \$750 million to help boards move forward with some of those really sensible consolidation projects.

There's additional funding, as well, of \$500 million over the next 10 years to be allocated for critical maintenance repairs in the post-secondary sector, and that's important too because we want that whole continuum of education. We're considered to have one of the best education systems, if not the best, in the industrialized world. It's something that's our single greatest competitive ad-

vantage. As Minister of Economic Development, that is my number one lever to attract investment to this province, and believe me, companies recognize that. From the auto sector through to the ICT sector to the financial services sector, we're seen as having the best talent anywhere in the world. The part that excites me is the entrepreneurial sector. I know, as a small business person yourself, that's an area of particular interest to you, but that's an area too where we have a strength. But that strength we need to continue to grow, and having adequate facilities as well as the programs that our young people need to excel are absolutely critical to us meeting our economic development challenges. I think I can leave it at that.

Madam Chair, do we still have time?

The Chair (Ms. Cindy Forster): You have about two minutes.

Mrs. Marie-France Lalonde: I'm very happy and content to see our commitment in infrastructure for education. As you mentioned, Minister, I think, overall, the province has seen, and our youth and our children have seen, the benefit of this from various levels of funding coming towards them. So I'm very happy that we have made that commitment. We believe that the children of today will be the adults of tomorrow, and this is why we're investing in the infrastructure to make sure that they have a better chance, of learning for their future. Thank you.

Hon. Brad Duguid: Well, thank you for that.

The Chair (Ms. Cindy Forster): You've got one minute.

Hon. Brad Duguid: I agree.

The Chair (Ms. Cindy Forster): Okay. We'll turn it over to the third party.

Interjection.

The Chair (Ms. Cindy Forster): The official opposition; sorry. Twenty minutes: Mr. Arnott.

Mr. Ted Arnott: That's the briefest response I've ever heard you give, Minister.

Hon. Brad Duguid: Don't get too used to it.

Mr. Ted Arnott: I want to, again, welcome you to the Standing Committee on Estimates today. This opportunity for members of the Legislature to ask questions of an important government minister is something that is an important part of the accountability process in our parliamentary system of government, along, as we said yesterday, with the public accounts committee and some of the other mechanisms we have.

In a majority government situation, the government has an immense amount of power, and the opposition has an important role to play to hold the government to account. You're well aware of that. That's what motivates us today in terms of the questions that we will be asking you.

I want to return, though, to the MaRS bailout that we discussed yesterday at some length and we want to continue to raise today. We know that the bailout—the \$309-million bailout—that you announced on September 23 may just be the tip of the iceberg. There has been an ac-

knowledge on your part that that's the case. There's speculation that it could go as high as \$477 million, including the improvements, the operating shortfalls and some of the other expenses that might be incurred. My question to you, Minister, is this: How much are you willing to spend on this MaRS bailout? Is the sky the limit?

Hon. Brad Duguid: As I indicated yesterday—and I appreciate the fact that you gave me an opportunity to pretty extensively outline our position with regard to the decision to buy out ARE and put us into a position now where we have options with regard to addressing the challenges of phase 2 of MaRS. I think yesterday I was able to give a very detailed response to what our position is on that.

The \$65 million that we're putting forward to pay out ARE is, in my view, a very wise investment on behalf of the taxpayers of this province because it gives us the opportunity to be able to examine, determine, do our due diligence and take a thoughtful approach on how we address the ongoing challenges with phase 2, and then determining where we want to land in terms of public interest vis-à-vis the balance between protecting taxpayers' dollars in this investment—the real estate transaction, if you want to call it that—and the importance to continue to pursue job creation and economic growth and to build a strong bioscience cluster. I believe that's a very sensible place for us to be at this point in time.

I can assure you that Ernst and Young has been very clear in their analysis that the investments made to date on this particular project are equal to or less than the value of the building, which is absolutely critical, because what that means, as I expect you would understand, is that the taxpayer is not at a disadvantage here.

What we need to now do is make a sensible decision, in the taxpayers' interest and in the interest of building a strong economy, as to what direction we want to go in with phase 2. I've indicated that we have not put in place any preconceived idea with regard to that at this point. We're looking at our options.

We have a private sector panel with Michael Nobrega and Carol Stephenson, two very highly esteemed and respected individuals that have some very significant expertise to offer on this. We have expert advice from Infrastructure Ontario and my ministry that we will take into consideration as well.

0940

We'll certainly be open to your views. In fact, I welcome your views as to whether you think it was a wise idea to buy out ARE. I think it's important that you put that on the record as well. If you have views today on what you think we should do with phase 2, I think we certainly welcome hearing those constructive ideas as well.

Mr. Ted Arnott: If you'd be willing to share all the facts in a briefing with me, I would be happy to give you advice on what I think you ought to do.

Hon. Brad Duguid: What would you like to know?

Mr. Ted Arnott: I think there's a lot more that's going to come out over the next few weeks and months on this whole issue. This is just the start of it.

Hon. Brad Duguid: I don't think you're correct on that. I outlined, I think, the entire scenario, really, from beginning to end. I appreciate the fact that you gave me the opportunity to do that.

It is what it is. Phase 2 is a public undertaking. We all know the challenges that phase 2 faced. There's nothing that hasn't been reported on phase 2 in terms of the challenges of leasing out those units and why ARE was the bottleneck preventing our ability to get to those other options, whether it's the opportunity to lease out those units and continue with the vision of MaRS in phase 2 and utilize that space for what it was built for or whether we get a recommendation from the panel that says, "Hey, you know what? Maybe it's time for the government to dispose of this asset."

We haven't ruled out any of those ideas, but I couldn't be more open with you than I have been today in terms of what the facts are guiding the decision. My decision-making through this, and our government's decision-making, has been with the very same information that's in the public realm today. There's nothing, I don't think, preventing you from giving us your advice as to whether you think ARE was a good business decision on behalf of the province. Virtually everybody that I've consulted would suggest that it is, so I'd appreciate your view on that.

Mr. Ted Arnott: In response to that, I would ask you to table all available documentation relating to discussions with the company and emails that went back and forth.

Hon. Brad Duguid: Oh, you're hiding behind that.

Mr. Ted Arnott: Table that with the committee. Why don't you do that?

Hon. Brad Duguid: I think you're hiding behind that. You have all the information that I had when I made the decision to recommend to the government that we buy out ARE, and for some reason, you're hesitating to tell us—in fact, you're the only person that I have talked to thus far on this issue, that I've asked for their opinion, that hasn't been pretty clear that they think it's a good business decision.

I'm curious: What is it about our decision to buy out ARE and provide the province with the options that we have available to us that you oppose?

Mr. Ted Arnott: It's great to have a discussion, but I think it's up to the opposition to ask the questions, Chair. The minister is normally obligated to endeavour to answer the question.

The Chair (Ms. Cindy Forster): Back to you, Mr. Arnott.

Mr. Ted Arnott: I go back to my original question, which was about speculation that the bailout might cost as much as \$477 million. How much are you prepared to go beyond that to continue the policy that you've undertaken? Is the sky the limit? You didn't answer the question.

Hon. Brad Duguid: I did answer the question. We made what I believe to be a very smart business decision on behalf of taxpayers to buy out ARE.

That process is still under way. It's not finalized yet. We have our private sector panel that has recommended that we do that, but if you were to have evidence that that's a bad decision, we have the option of not going forward with it. If you have evidence that that's a bad decision—any evidence from anywhere: any financial adviser, private sector, public sector, political, whatever—I'd be really interested to know that now because the deadline in terms of that confirmation is fast approaching. I've heard absolutely no disagreement that that's a wise decision to make on behalf of taxpayers. I've not heard from one person yet—one expert, one colleague—who said that's not the right thing to do.

Mr. Ted Arnott: Have you been reading the newspaper?

Hon. Brad Duguid: I haven't read any article yet in the newspaper that suggests that that decision was wrong, but I'd be happy to entertain your opposition or criticism. If you have something of merit to share with me, I'd really be interested in hearing it.

Mr. Ted Arnott: Well, there's a lot of public concern. Let's leave it at that.

The fact is, there have been four CFOs at MaRS over the past five years. Does that concern you?

Hon. Brad Duguid: I have a lot of confidence in the board at MaRS, and I'm going to tell you why. When I look at the chair, Gordon Nixon; when I look at the quality of the people sitting on that board—not too long ago, I asked for a list of the board of directors, just to determine, do we have the right expertise on that board? I want to share with the committee some of the folks who sit on that board, because I think it's relevant; I think it's important. They're the folks who make the day-to-day decisions with MaRS. They're the folks who hire those who run the operations at MaRS: John Evans, founding dean of McMaster University, former president of U of T—he was one of the founders of MaRS and is someone who many of you know; Gordon Nixon—just about nobody in this room does not know Gordon Nixon or have a lot of respect for him, president and chief executive officer of RBC; John Manley, president and CEO of the Canadian Council of Chief Executives and former Deputy Prime Minister; Elyse Allan, president and CEO of General Electric Canada and vice-president of General Electric, a former president and CEO of the Toronto board of trade; Lawrence Bloomberg, chairman of the board of directors of BloombergSen Inc.; Elaine Campbell, president and CEO of AstraZeneca Canada Inc.; Derek Evans, president, CEO and director of Pengrowth Energy Corp.; Richard Ivey, chairman of Ivest Properties; Geoffrey Matus, president of Mandukwe Inc.; Michael McCain, who many of us know, president and CEO of Maple Leaf Foods; and Calvin Stiller, founder and former chief, Multi-Organ Transplant Service, London. These are folks—and there are others as well. The president of U of T has just recently, I think, been put onto the board.

These are pretty good, intelligent, business-minded people who are very public-conscious, who I have a great deal of confidence in. Are they perfect? Probably not. But I do want to say that those kinds of decisions as to hiring people and bringing people on are decisions where I do have confidence in this group of individuals, that they would have good judgment on that.

Mr. Ted Arnott: Perhaps you didn't hear my question. I was asking about CFOs.

Hon. Brad Duguid: I heard the question.

Mr. Ted Arnott: There have been four CFOs in the past five years. Did you ask for the list of the CFOs? Did you ask why they left?

Hon. Brad Duguid: I absolutely heard your question, and I gave you, I think, a very thorough answer—

Mr. Ted Arnott: —about the board and the composition of the board. We appreciate that—

Hon. Brad Duguid: The board of directors is responsible for the hiring of the people who run MaRS. They're responsible as well if there is removal of people. I don't know the individual circumstances in these particular cases here.

I guess what I'm curious about—are you suggesting that these individuals on the MaRS board are not qualified to make those judgements? Because I don't make those decisions and the government doesn't make those decisions—

Mr. Ted Arnott: I didn't say that, and don't twist my words. I did not say that. I asked about the CFOs. You have not mentioned the word “CFO.”

Hon. Brad Duguid: Well, you're questioning whether their judgment with regard to the CFOs is appropriate or not.

Mr. Ted Arnott: I was asking if you were concerned about the high turnover of CFOs at MaRS over the last five years. That was the question.

Mr. Han Dong: Madam Chair, point of order.

The Chair (Ms. Cindy Forster): Mr. Dong.

Mr. Han Dong: I'm wondering where we're going with this, because I would like to think the questions are within the parameters of estimates.

The Chair (Ms. Cindy Forster): Mr. Dong, Mr. Arnott has the floor. It's his time to ask questions, and he's asking questions that are within the estimates we're reviewing.

Mr. Arnott, you have about five minutes left.

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Mr. Ted Arnott: My question stands.

Hon. Brad Duguid: I guess my answer stands, too. I'm wondering, what is it about the board that the member seems to have a lack of confidence in?

Mr. Ted Arnott: Again, I never said that. You're twisting my words. I never said anything about that at all.

Hon. Brad Duguid: You're questioning their decisions with regard to personnel. I do not have concerns about the board's judgment; you obviously do. I'm wondering, what is it that concerns you about the board's judgment in this respect?

Mr. Ted Arnott: My question was: Are you concerned about the high rate of turnover—the revolving door of CFOs—at MaRS in recent years? And evidently, you're not that concerned because you won't even touch the question.

Hon. Brad Duguid: I am responding to the question, I think, very upfront. I have confidence in the judgment of the MaRS board. That's why they're there, to make those decisions. I'm a little surprised that you don't share that level of confidence that I have with them to make those decisions. If there's turnover in any particular position in that organization, I have confidence that that board is more than capable of addressing those concerns.

Mr. Ted Arnott: Let's look at another issue. Twice, I think, yesterday you mentioned that you were here as part of the Peterson government, as a staff member. I remember those years, too. I remember quite vividly that the government of the day, the Peterson government, had a policy to actually try to find opportunities to move the bureaucracy out of downtown Toronto and have government offices in other cities. For example, the Ministry of Agriculture and Food: the head office moved, at great expense, to the city of Guelph. I recall the Registrar General moving from downtown Toronto to Thunder Bay, and there were a number of other examples where the government actually thought that there was benefit to moving government outside of downtown Toronto for cost savings and to give other communities the opportunity to have those stable jobs, I guess, was the rationale. It has continued to be talked about as an idea through the years.

At the same time, the government is now saying that if the MaRS vacancies can't be filled, there's a possibility that new government bureaucrats in offices will be moved into MaRS to consolidate in some of the most expensive downtown Toronto office space possible.

You, yourself, yesterday, said that you want to reduce the government's footprint, in terms of office space. You used the words, "We want to reduce our footprint." How does that square with the government's previous position, I guess—and I would think current position—that there should be an effort to look at moving some of the government offices outside of downtown Toronto, where the office space is less expensive?

Obviously, with a \$12.5-billion deficit, I think you'd acknowledge you can't afford the current payroll as it is.

Hon. Brad Duguid: You are correct. We've set very aggressive objectives in reducing our footprint when it comes to government space that's being utilized right now. In fact, we're 35% of the way there already, so we've made some significant improvement in reducing that footprint.

The proposal you're talking about, and I said yesterday clearly that everything's on the table and I'm looking forward to hearing in an unfettered way—I've been clear about that, too—the recommendations of the panel, Michael Nobrega and Carol Stephenson. I've asked them to give us unfettered advice, which means, "Don't worry about the politics of this. Think about the long-term and the best interests of the Ontario public, and give me your

best advice." I've not sensed a great deal of momentum right now behind that suggestion.

I said that yesterday. I'm not ruling it out. It was proposed as swing space, as Macdonald Block is renovated; that that would be used as—I call it "temporary space," but that's a long-term renovation. "Temporary" to some is six months. It would be much longer than that.

That is not in any way a decision that has been made nor is there a direction right now from government on that. We're looking at all options. What's in the public interest? I'm trying to be as upfront as I can when I say at this point in time I don't see a lot of momentum in that direction.

The Chair (Ms. Cindy Forster): Minister, you have one minute.

Hon. Brad Duguid: But I want to make sure that everything is on the table for that expert panel to be able to give us their best judgment. They're going to look at those issues, and they will look at that proposal that would have had some of those units used as swing space.

They're also going to look at the opportunities of leasing that space with tenants that are very much in line with MaRS's current vision, and that's important as well, and to look at those options and see how realistic that is. That's some of the advice I want. That's why I like the private sector element to that panel: so that I can have good, third-party, unfettered, realistic advice that's going to protect taxpayers and continue to keep an eye on the importance of building a strong economy and investing in innovation.

Mr. Ted Arnott: The final question we have is: Has Ed Clark included MaRS in his asset review? If not, can you provide a list of which other provincial assets have been excluded from the review?

Hon. Brad Duguid: I'm not responsible for Ed Clark's review. I can tell you that MaRS is, to the best of my knowledge, not on that list. With regard to the other assets, my understanding is, that was all public knowledge. I would hesitate to rattle off that list to you now because I'd probably leave one of the agencies out.

Mr. Ted Arnott: But you could check into it with your staff and perhaps give us an answer in the next round.

Hon. Brad Duguid: It wouldn't be my staff that's responsible for this, but that information, I'm sure, is available to all of us—

Mr. Ted Arnott: Maybe it's on a website somewhere.

Hon. Brad Duguid: It might be.

The Chair (Ms. Cindy Forster): Thank you, Minister.

Third party, Mr. Hatfield; 20 minutes.

Mr. Percy Hatfield: I know that many experts agree on the P3s and the AFPs. I want to take a minute or two to talk about an example elsewhere and then see if it's the same thing that happens in Ontario.

The example I've chosen is one from British Columbia. Another accounting trick that favours AFPs was uncovered by a couple of BC accountants, Ron Parks and Rosanne Terhart, who looked at four P3s in British Columbia. Parks and Terhart found that P3s cost more, that

the process for evaluating them is biased, and that there's a lack of solid information available to the public to compare P3s with traditional public financing. In their analysis of why P3s cost more, Parks and Terhart take aim at the discount rate—the assumed interest rate—used by Partnerships BC to compare P3s to publicly procured projects. They reviewed how Partnerships BC reworks the actual nominal cost, dramatically decreasing the estimated cost of P3s, mainly by using inflated discount rates. For example, before discounting, the P3 option for one of the projects studied, the Diamond Centre, is more than double that of public procurement. However, as the report demonstrates, choosing a 7.12% discount rate, the P3 project cost was reworked down to \$64 million and the publicly procured project to \$81 million, a difference of \$17 million in favour of the P3. The original \$114-million public procurement advantage then becomes a \$17-million private sector advantage.

Getting back to Ontario, the question is: Does Infrastructure Ontario use a similar discounting methodology when doing their value-for-money studies?

Hon. Brad Duguid: I appreciate that, but I'm Minister of Infrastructure for Ontario, and I'm hardly going to respond to our sister provinces and the projects and their procurement processes. We are seen nationally as the model, here in Ontario. Others are looking to ours as a model. This may sound repetitive, but the fact of the matter is, these projects are all out for open tender and bid. It's an open procurement process. The cost of the project doesn't depend on many of the factors that you cite as much as it depends on the competition. There's a base level of cost that a private sector company would know that they would be incurring, and there is a profit margin for them built into it; there's no question. Why would they bid for a project to lose money? They're not going to.

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Where the public benefit comes is that that private sector expertise helps ensure that project stays on budget, on time and is dealt with efficiently. It also helps ensure that there is a built-in incentive by transferring the risk to the private sector. From my perspective, it just makes sense for those projects that we use this for. So I'm not going to speculate on what might or might not be good for BC or projects that may have not gone as planned in British Columbia.

I don't think, in any way, we would suggest that all P3s are going to work out perfectly. I say very upfront, with construction projects, there's a risk involved every time you put a shovel in the ground. There are risks involved every time you make an infrastructure investment. The only way to avoid that risk is not to spend \$130 billion over 10 years and allow our infrastructure deficit to deteriorate and not meet our challenges of building competitive infrastructure in Ontario.

We're willing to take the risks to do that. What we want to do is have the best possible procurement processes in place that best serve the taxpayer. I very much appreciate your views on this. We don't have to agree on

everything. I and our government feel strongly that AFP has served our province well to date—

Mr. Percy Hatfield: Well, I guess, Minister, my question is—and I apologize for the long preamble that led to it; I may have lost you and the crowd in getting to it—does Infrastructure Ontario use a similar discounting methodology when doing their value-for-money studies, as in the example used in BC?

Hon. Brad Duguid: I could maybe ask staff to see if they could comment on that. The methodology we use right now, I'm confident, is the most modern method of analyzing these projects. As I've said, I have a great deal of confidence in the work that Infrastructure Ontario does to ensure that they're getting the best value for taxpayers on these projects, to ensure that the most important thing of all is that these procurement processes are unfettered, that it's a competitive process and that we're getting the best possible price for these projects.

Mr. Percy Hatfield: Could we have the staff up that you've just identified that might be able to comment on this? They would have, perhaps, the specific knowledge of the British Columbia example and could tell us if they use the same discounting methodology here in Ontario.

Hon. Brad Duguid: They may. I'm happy to ask the deputy to see if he can add anything to that.

Mr. Giles Gherson: I don't think I can shed a whole lot of light, primarily because I think you cited four projects in that study in British Columbia, of which there are many projects in British Columbia. So whether the discount rates that were used in those four projects are equivalent to the discount rates that were used in other projects, we don't know, and maybe the authors of the study don't know. So we probably can't really shed much light on that.

I would say, though, that when you cite these studies as you have a few times, it's important, I think, to sort of balance some of the known factors. I think the authors of the studies have talked about discount rates and risk premiums that are built into these projects. I think one of the things that we try to balance those with are some of the factors that lead to lower cost. The minister has cited a number of times the highly competitive infrastructure market, the fact that there are innovations that are brought to bear in these projects that weren't necessarily foreseen when the projects were put forward that are brought forward by the proponent. As well, delayed payment: We have a delayed payment approach which means that if there are problems that occur, those payments don't take place. That, in a sense, reduces the risk. There is construction risk that takes place, and the minister has alluded to that. Whether it's equipment failure or labour issues, those, in a sense, can't be foreseen and are all borne by the proponent. Then there is the operation of the structure afterwards, over the 30 years that the structure is in place before it transfers back to the government, all borne by—

Mr. Percy Hatfield: Deputy, let me take you back to your very distinguished career in journalism. I'll give you an example and you can perhaps comment from a

journalistic perspective. I'll table the evidence with the committee and you can comment or not.

For example, in Hamilton, St. Joseph's Healthcare, the West 5th Campus: The basic budget proposed by the winning bidder was \$475 million, but on top of that, they were awarded \$445 million to assume the cost overrun risk. KPMG, who did the value-for-money audit, concludes that the AFP approach would be 14% cheaper, but this is because the risk premium was about 95% over the cost estimate. So what this means, I guess, is that the AFP model was chosen because the historical cost overrun for hospitals built the traditional way was set at almost 100%. But the problem is that there's no evidence that hospitals financed the traditional way have average cost overruns of almost 100%.

Minister or Deputy, most of your AFPs to date have been hospitals. Can you table the evidence at 9 o'clock at the next meeting of this committee that cost overruns of hospitals built the traditional way are close to 100%? This is crucial because if you don't have that proof and are not willing to table it, that then suggests that you are massively overpaying for your AFP projects.

Mr. Giles Gherson: If I could answer as a journalist, I need a bit more evidence before I could respond. I never write a story without having all the facts, but—

Hon. Brad Duguid: Since when has a journalist ever taken that as an adequate response?

I can tell you while he's looking for the information, I second your view that he had a distinguished career as a journalist. There was a time when I was a city of Toronto councillor when he was grilling the heck out of me, a lot more than you guys are today, as a chief editor, I think, for the Toronto Star.

The Chair (Ms. Cindy Forster): Excuse me, Minister. How much time does your staff need to confer? Because we're eating into Mr. Hatfield's time. I could actually do a recess here for a few minutes so that he doesn't lose his time.

Hon. Brad Duguid: Do you need a recess or are we almost there?

Mr. Percy Hatfield: I think it's important that they get the information together.

Mr. Giles Gherson: I've got my colleague here, Chris Giannekos. I think what he's going to say is that citing one example—it kind of goes back to the study issue as well, with respect—it's very hard to draw a trend from that. The other thing I would say is that most of these contracts have a significant amount of commercial confidentiality. So it's hard to draw out all the facts in all of these contracts, if you were to look at all of the hospital contracts that have been AFPs, which I think number 80 altogether.

Chris, can you add—

Mr. Chris Giannekos: Thank you for the question. I guess one way to try and answer this is, we've looked across a number of jurisdictions, including the UK, Australia, the United States etc., and if you look at all of these, you're going to find that a significant portion of them, 93% of them, are providing procurement using the

AFP at significant savings. So there is a trend out there that shows that the model works to a certain extent.

Now, whether in every single one of those jurisdictions what you're alluding to is actually happening, and every single one of those projects worldwide is overestimated in terms of the risk premium or the discount rate—I think is a little bit of a stretch. I think maybe, with respect, if I may be so bold, you'll probably find that there is a balance of projects where perhaps there is some truth to what you say and there's a balance of others where probably there isn't. We don't have enough specifics to be able to say categorically on that particular point that it is true or not true.

1010

The fact that the deputy has also brought up the issue of commercial confidentiality—that's also a big issue. We do take some solace in the fact that the model is being applied worldwide. It has come up with some significant cost savings. It has also produced some significant issues in a number of cases. Some of the stats that I've given you show that it isn't 100% anywhere in any jurisdiction. But that comes down to the fact that the contracts provide a certain discipline that improves the way that we procure and a certain project management that is somewhat, in many cases, better than what you can get in traditional.

You also brought up the issue of interest rates. You brought up the issue that what the government can borrow at versus what the private sector can borrow at is a lot less and therefore, "Why would you ever want to go with an AFP project where the cost of financing is higher?" There are a couple of comments. There's a number of studies that actually speak to this. One of them—and the key premise here, with your indulgence, is, perhaps the government borrowing rate is not the correct one to use for traditional projects or for a comparison. I say this because the government rate does not take into account the risk associated with cost overruns on the traditional side.

The Chair (Ms. Cindy Forster): Mr. Hatfield, were you satisfied with that answer or did you want to move on to—

Mr. Percy Hatfield: Madam Chair, I'm delighted to hear the response. I think there's a lot more information that Chris is about to give us that's very beneficial.

The Chair (Ms. Cindy Forster): We have about four minutes.

Mr. Percy Hatfield: Thank you.

Mr. Chris Giannekos: The literature speaks to: How do you best develop a discount rate that will take into account all the externalities? When I'm talking about externalities, I'm talking about: The government rate at which we borrow is the beginning of constructing an appropriate rate. What I'm getting at is, you can get a more appropriate, higher rate that will get closer to what a private sector rate would be. There is a lot of debate in the literature about what it should be and what it shouldn't be, and that we continue to try to get at that.

Mr. Percy Hatfield: Right. I guess the point was that the risk premium is supposed to take into account the discount rate; right? Are you suggesting that the risk premium doesn't do that?

Mr. Chris Giannikos: I'm suggesting that the rate at which we finance traditional projects is not a fulsome rate. It should be higher. In other words, the costs of traditional projects are higher than what they are appearing right now.

What I'm trying to get at is that when the government borrows a certain amount of money to finance infrastructure, the borrowing rate is set by the markets, and that's what is used on the traditional side of the project. However, that may not be an appropriate discount rate. It should and may be higher than that, because what that discount rate doesn't factor in is that the private sector factors in is the risk associated with cost overruns. We do not include a risk associated with cost overruns in the traditional way that we finance projects, but the private sector does, so there's a difference in that. What I'm suggesting is, the literature is debating that point.

The Chair (Ms. Cindy Forster): We have one minute left, Mr. Hatfield.

Mr. Percy Hatfield: Thank you. I need better hearing, I guess. I don't know what it is.

Interjection.

Mr. Percy Hatfield: Both should not reflect the risk, I'm told. Does that make any sense?

Mr. Chris Giannikos: I'm not sure that both should not reflect the risk.

Mr. Percy Hatfield: All right. So the hospital, built the traditional way—you said it wasn't going to be 100%, the cost overrun, or the cost. Is it in the 90% area, or where is it?

Mr. Chris Giannikos: Well, it depends on the project and it depends on the hospital. So it varies by project. What I'm trying to suggest is there are studies out there that show that the AFP model provides cost savings, and I can provide you—

The Chair (Ms. Cindy Forster): I'm sorry—Deputy Minister, is it?

Hon. Brad Duguid: Assistant deputy minister.

The Chair (Ms. Cindy Forster): Assistant deputy minister. Your time is up and you'll have to answer that question in the next round.

We'll move on to the government.

Mr. Percy Hatfield: And you can bring the studies.

The Chair (Ms. Cindy Forster): Mr. Balkissoon, 20 minutes.

Mr. Bas Balkissoon: Thank you, Madam Chair. I just have a question or two of the minister.

Yesterday, you covered government properties and that it's important we make a decision when to own and when to lease. In doing so, you said the government had committed to a Realty Transformation Strategy. I'm wondering if you could tell us a little bit more about that and how you see that strategy actually rolling out and working for us.

Hon. Brad Duguid: Thank you. I appreciate the question, as a member who has done a lot of work when it comes to the details of trying to make governments more efficient. Mr. Balkissoon and I had been colleagues at the city level long before we got here, and I have seen the good work that he did on places like audit committee and others. I'm not surprised that that would be a question that would be coming from the member, because he is a numbers guy and he's a detail guy, and somebody who I think serves us well in trying to ensure we get best value for our assets.

It hasn't always been that way. Governments of all stripes through the years have tried, talked about it, but it has sometimes been challenging to action modernizing the way we address and deal with our real estate assets.

The fact of the matter is, today, when you look at the size of your average government employee office, it's actually quite a bit bigger than the current private sector average, for a number of reasons. We have really tried to get the best value we can out of our assets, and there has been a reluctance by all governments to invest in our own nest, let's call it, or invest in our own government buildings. That doesn't tend to be a politically popular thing to do. As a result, many of our employees are in pretty old, outdated office accommodations that are set up to be larger than today's needs for office employees.

Lifestyles have changed as well, and technology has changed to a point where people don't necessarily need to be—depending on what they do and what their role is, they don't need to be in their offices 24/7; not that we're in our offices 24/7, but they don't need to be in their offices all the time. So a lot of private sector companies—I even see this in my own bank now. Where everybody had their own office in the bank before, they now just have rooms that they go into randomly when they are dealing with clients. I'm not saying that could work for all government and all public servants that we have, but there's no question that there are opportunities, through the use of technology, through finding ways to help people work from home, to be able to both reduce our footprint in terms of the need for space for public servants and government services and also, in particular in urban areas, to reduce gridlock on our roads. I mean, tens of thousands of people work for the province of Ontario just in the greater Toronto area alone. I'm sure the same is true with the federal government in Ottawa, too. If you reduce the number of times people have to go to and from work, you're also reducing gridlock. You're having a good impact on the environment, if they're driving—and you're even reducing the demand for public transit when you do that. It's just a smart all-around way to go.

1020

I talked yesterday a little bit about reducing our footprint. We have a goal, and I can't remember the exact number of square feet that we want to reduce it at—

Interjection.

Hon. Brad Duguid: The average employee currently takes 250 square feet. The average standard in the private

sector right now is 180 square feet. There's a lot of room for improvement there.

Now, it doesn't happen just in one day, because that requires investment in terms of modernizing our offices and consolidating our offices. We've reduced our footprint now by 35%, a good start, but we still have a long way to go. It's something that we're aggressively pursuing internally, through Infrastructure Ontario and our realty division—looking for ways that we can do that.

It's a little bit more challenging during tough fiscal times. It's a smart investment that saves you money down the road, but year to year, we're dealing with that deficit situation, so we don't have unlimited resources to make those investments at this point in time. It's too bad that we don't, because in the long term they would pay off, but it's something we're aggressively pursuing. So it's a very, very good question.

Mr. Bas Balkissoon: If I could follow up, Minister: You also stated that many of our buildings are aging. You and I know that if maintenance and repairs of a capital nature are not done in the appropriate time, when you do delay that, the cost can be a whole lot higher. Can you tell us what the government is doing to address that particular issue for government assets?

Hon. Brad Duguid: Well, it's a huge challenge. We talked about aging assets, and we're in that as a province. Frankly, a lot of our buildings across Ontario were built in the late 1950s and 1960s, so they're at that age where, in some cases, they're in virtual teardown shape. In other cases, they need very major rehabilitation. So we're reviewing now our building capital repair program, and we need to focus, because the challenge is significant. We're going to focus on those buildings that are more important to us, our more strategic assets first, and then move forward.

Macdonald Block is a good example of that. We all know Macdonald Block. It's really the bulk of those ministries that are close to Queen's Park here. Many of our ministers' offices and parliamentary assistants' offices are there. It's a huge block of buildings. I assume it's the largest block of government office space, likely in the province. That's at an age now where there are serious challenges there.

Again, it's challenging. It's challenging politically, too, because it's going to require some significant investment to even get it up to a standard that's appropriate. What it really likely requires is a complete refurb. When we talked about MaRS earlier on, that was part of one of those potential options that was being thrown around or considered. As I said, there's not a ton of momentum behind that particular option at this point in time. That's not to say the panel might not take a look at it and say it is the best bet, but that was where that actually came from: How do you renovate government buildings? In this case, these government buildings, from how I've been advised, need almost a full gutting to continue to do the work of government. These are significant renovations, so they're not like a month or two of inconvenience; I think it's a 10-year plan to renovate those buildings.

We need to do it professionally. We need to do it with expert advice as to how best to do that. I'm always of the view that we need to always think outside of the box on these issues. I know Councillor Balkissoon, from his former experience, thinks very much the same way; that you also need to recognize not everything has to be downtown either and that there are opportunities outside of the downtown core potentially and maybe even outside of the GTA from time to time too, where you can look at other options for some of that space. Not every public servant has to be within walking distance of Queen's Park. At the same time, many still are. In some cases, it's more efficient and effective to build a precinct on land we already own—it's an asset that we already own.

So we need to look at the business case for doing this over the next little while. It is an issue before us. It has gotten to a point—I can tell you at Macdonald Block now—where it really will not be able to be pushed out any further. We are going to have to take a close look at what the options are there. Your advice on that will be very welcomed, given your experience in the past at the municipal level and here.

Mr. Bas Balkissoon: Thank you, Minister.

The Chair (Ms. Cindy Forster): You have about four minutes.

Mr. Bas Balkissoon: Four minutes? Thanks.

Minister, you know, as I know, because we're both from Scarborough, that health care in our area has been under a lot of pressure from the public with regard to our infrastructure. The hospital in your riding is over 50 years old. The one in my riding, next door in Agincourt—it's close to 30 years with no investment in the building whatsoever. The third hospital in Scarborough is under some pressure also for redevelopment because of the age of these facilities. Plus, health care itself has changed dramatically in terms of how it's delivered.

Can you tell us what the government is doing in terms of health care, our assets in health care and what our commitment is to renew some of these facilities?

Hon. Brad Duguid: Excellent question. As I've said earlier, when it comes to individual projects, that is not the Ministry of Infrastructure's domain. That really is the responsibility of the Minister of Health and the Ministry of Health and Long-Term Care. I'm not at liberty nor do I have the information to be able to get into individual projects, but we can speak overall to our commitment across the province.

We're gearing up to spend \$11.4 billion over the next 10 years in major hospital expansion and development projects. So, \$11.4 billion during challenging fiscal times—in particular, we anticipate, over the next number of years—is a significant undertaking. We're determined to move forward with that. It's important to our quality of life in Ontario. I see it as a competitive advantage as well. The fact that we have such a well-respected health care system is one of the things that, when companies do look to invest and locate here, they look to as an advantage for them and their employees.

This is in addition to the \$700 million over 10 years that we're committing to critical repairs in hospitals, which is important. I know the hospital that you referred to—our hope would be that some of those dollars may well end up addressing some of the concerns that you've pointed to. Also, \$300 million is being allocated to shift health care from hospitals to community settings. That's important; \$300 million is being allocated and set aside for that.

Again, governments of all stripes through the years—we've all had our opportunity to govern in the province of Ontario—have talked about the importance of moving from institutional care to community-based care. The challenge, I think, I've seen over the decades, as the talk has happened and efforts have been made, is that it also has to be backed up with resources in those community-based facilities as well. That's where that \$300 million will be really critical—to helping ensure that the community-based infrastructure is there as we move from more institutionalized care.

1030

We're always going to need some level of institutionalized care. Nobody is suggesting we're not. But I think the jury has really spoken. There's take-up even in the hospital sector, I find now. Dealing with my own hospital and others in our community of Scarborough, I find there now is acceptance, where there may have been, five or 10 years ago, reluctance—I'm seeing that there's more acceptance of the new vision for health care and the need to do more community-based work. Hospitals are doing that in and of themselves. But that doesn't happen without some upfront investment as well. It's good investment because, at the end of the day, it does save us considerable expenditure in the long term. But you have to make that short-term investment in community-based facilities to be able to get to that long-term benefit.

I'm proud to say that our government, in our budgets over the last 10 years, has put considerable resources into community-based health care. There's the provision in the operations of our CCACs and other forms of community-based health care, but there's also the need for some capital investment as well in our community-based health care facilities. That's where that \$300 million, I think, will be invested over the next number of years. I think it's a smart investment that ultimately is going to deliver taxpayers significant savings down the road. But on top of that—this is the win-win-win situation with this kind of investment—it's also going to improve the quality of health care and make it more accessible to our residents, which is something I think all of us would be supportive of.

The Chair (Ms. Cindy Forster): You have about a minute left.

Mr. Bas Balkissoon: About a minute left. Well—

Mr. Randy Hillier: Think of something.

Mr. Percy Hatfield: How do you spell “win-win-win”?

Mr. Bas Balkissoon: I think my friends want to help me out.

Minister, thank you very much for that answer. I have a couple more questions on hospitals, but I'll wait for the next turn.

The Chair (Ms. Cindy Forster): Thank you. We'll turn it over to the official opposition. Mr. Hillier.

Mr. Randy Hillier: Thank you very much, Chair. Minister, I want to go back to MaRS here on a few things, and get a few things on the record. I think maybe you and I will explore MaRS together for the next 20 minutes on what appears to be a steady stream of taxpayer money—truckloads of money—going from Queen's Park down the road to College.

Let's start off with this, Minister: There are, from what I've been able to determine, about eight different companies under the MaRS umbrella. There's MaRS services, there's MaRS enterprises, there's MaRS 2, there's MaRS 2 trust, there's Cogniciti, there's MaRS ventures. Just for the record, the mortgage—the \$234-million mortgage—which is in default or non-performing: Who was that loan made out to? Which one of those MaRS entities has that loan that you're paying the interest on out of the ministry?

Hon. Brad Duguid: I'll ask my ministry folks to provide me, if they can, with that answer. I think, though, as they're doing that, it's important for me to also put on the record that you're incorrect when you talk about a steady stream of—

Mr. Randy Hillier: No, no, Minister. I ask the questions here. You're waiting to get the answer. I'll be patient, and I'll wait for the answer to come from your staff.

Hon. Brad Duguid: You asked the question and I'm responding exactly to your question—

Mr. Randy Hillier: So I'll go on to my next question while I'm waiting for you to get—

Hon. Brad Duguid: No, hold on. Hold on.

Mr. Randy Hillier: I'll go on to my next question while you're waiting to get the information.

Hon. Brad Duguid: I will answer your first question first. You can ask your second question—

Mr. Randy Hillier: Excuse me, Minister. I'm asking the questions. You couldn't answer it. I'll be patient and wait for your staff to get the answers to it.

My next question, while we're waiting for that, is—

Mr. Giles Gherson: I can give you the answer right now, sir, if you wish.

Mr. Randy Hillier: Thank you.

Mr. Giles Gherson: The \$224-million loan was to MaRS Discovery District, which is the umbrella organization.

Mr. Randy Hillier: MaRS Discovery District.

Mr. Giles Gherson: Correct.

Mr. Randy Hillier: The bailout of the \$70 million to Alexandria Real Estate: The minister said that you've bought this out and now you're going to examine and determine these ongoing challenges. So I'm going to ask: What actually did the taxpayer purchase? What tangible effects did the taxpayer get for that \$70-million bailout of ARE? Did we purchase the leasing rights? Did we purchase anything with it? What did the taxpayer get for that

70 million bucks, other than your time to examine the ongoing challenges?

Hon. Brad Duguid: Let me be very clear here. First off, you're incorrect: It's a \$65-million investment that is paying for ARE's interest in this particular project. They were hired—and I'm speaking in layman's terms here as I say this; it's probably more technical in terms of their role—to more or less manage the phase 2 project and operate it. I'll let staff correct me if that wording is not 100% correct. They had the ability to determine what the lease rates would be.

The reason why we moved forward to buy out—it's not a bailout. They're taking a writedown for this. This is not a bailout in any way; this is an opportunity for the province to be able to get to a point where we'll have some options with regard to how we move forward to address the challenges faced—

Mr. Randy Hillier: So you've answered the question: Their interest and their responsibility with that investment was to manage and operate, so we have now bought them out—the taxpayer has bought them out through your ministry—and we get to manage and operate a facility, a building, that has a non-performing mortgage on it. So the taxpayer is on the hook for the mortgage. We have also paid for the privilege now of managing and operating the building, and we've also committed to paying rent in at least four floors of a building that we've bailed out. Is that correct, Minister?

Hon. Brad Duguid: No, it's not. I guess what I would need to better respond to your concerns is, what is it about the buyout of ARE that you're opposed to? Other than your colleague, I haven't asked an individual yet for their view, be they a financial expert or be they one of our very qualified public servants, who has said anything but buying out ARE is a good business decision on behalf of taxpayers. So—

Mr. Randy Hillier: I'll answer that, Minister. I make decisions after I gain the facts and I have knowledge. That's when I make decisions and recommendations. What I'm trying to do here is get the facts.

We know that the government has no oversight of MaRS. There's no legislative framework. We don't appoint any directors to the board; there's no Lieutenant Governor appointments. There is absolutely no mandate or requirement of MaRS to report to this government, and I think you demonstrated that in my colleague's earlier questions to you.

We have no oversight. There is no mandate or legislative requirement for them to be accountable to this Legislature, but we have lent them \$234 million, which they can't pay back. Their partner in that investment we've also bailed out by \$65 million.

And now we've also agreed to rent four floors of a building—I want to know, who are we paying rent to on this structure now? When those four floors are taken up in occupancy, are we paying rent to MaRS, which is in default of the mortgage to the Ontario government? What's going on with this building of red ink called MaRS?

Hon. Brad Duguid: Your rhetoric outdistances the reality here. You're entitled to whatever rhetoric you want, but at the end of the day, it's the facts that you do have, the same facts that I have and the same facts that I had when I made the recommendation to our government to buy out ARE, the facts that our public servants had when they made that recommendation to me, and that our independent panel with Michael Nobrega and Carol Stephenson had as well. You are at no disadvantage when it comes to the facts here. If you have information—

Mr. Randy Hillier: Well, it's nice to know that we now are on the hook to manage and operate the building as well.

1040

Hon. Brad Duguid: If you have information that I'm not aware of that suggests that is not a good business decision on behalf of the taxpayers of this province, my suggestion is—you're before committee here; you are eyeball-to-eyeball with me now. It would be a very opportune time, with all of our colleagues here today—

Mr. Randy Hillier: That's what we're going to do. We're going to explore MaRS together.

Mr. Randy Hillier: —and with the media here as well, to share that information with me, because I would be very interested. This deal hasn't closed yet.

Mr. Randy Hillier: Which is good.

Hon. Brad Duguid: Before the deal closes—and time is ticking—I would be very interested to hear if you have anything credible to say—

Mr. Randy Hillier: So let's get some more facts—

Hon. Brad Duguid: —on the ARE deal. Share that with me now, because I'm looking forward to hearing that.

Mr. Randy Hillier: Okay. Let's get some more facts on the table. You said yesterday in this committee that you had Treasury Board approval for your transactions with MaRS, that you didn't need to go to cabinet, you didn't need to get instruction from the Premier on this; you had Treasury Board approval. You could act on your own. I want to ask this very simple question. That Treasury Board approval: Does it have an upset limit attached with the approval or is it open-ended?

Hon. Brad Duguid: I would have to go back and check to see what that actual approval is.

Mr. Randy Hillier: You've made a decision on this and you don't know what the upset limit is?

Hon. Brad Duguid: The fact of the matter is—

Mr. Randy Hillier: You've talked about taking away risk from the taxpayer all yesterday and today. What is the risk? What is the upset limit that you've got approval for?

Hon. Brad Duguid: Well, I can tell you that the \$65 million that we agreed to is well within the upset limit. I guess I come back to you now: If that \$65 million—

Mr. Randy Hillier: You're not telling. You're not being open. You're not being transparent.

Hon. Brad Duguid: I'm being 100% open. The deal is \$65 million, which I announced within hours of

closing that negotiation. I don't believe you can be more upfront than that. It's \$65 million.

Mr. Randy Hillier: I asked what the upset limit is for your Treasury Board approval on this MaRS project.

Hon. Brad Duguid: And I'm telling you the \$65 million was well within the upset limit.

Mr. Randy Hillier: What is the upset limit?

Hon. Brad Duguid: My question to you would continue to be, what is it about the \$65 million that you're concerned about?

Mr. Randy Hillier: I want to know what the upset limit—

Mr. Han Dong: Madam Chair, a point of order.

The Chair (Ms. Cindy Forster): Mr. Dong, point of order.

Mr. Han Dong: Madam Chair, I just want to know if what the member is asking with regard to the Treasury Board decision is within the parameters of the estimates committee.

Mr. Randy Hillier: You should read the parliamentary procedures manual.

Mr. Han Dong: Well, I'm asking for—

The Chair (Ms. Cindy Forster): Mr. Dong, the minister referenced it, so the member now has the right to actually go to that line of questioning.

Mr. Randy Hillier: So, Minister, you're not going to give this committee the upset limit. Yes or no?

Hon. Brad Duguid: I'm very pleased to advise committee that I would not enter into negotiations or finalize negotiations that are outside of the parameters laid out to me by Treasury Board.

Mr. Randy Hillier: But you're not going to be open and transparent and share that number with us. Yes or no?

Hon. Brad Duguid: The \$65 million, which you appear to think is not a good deal on behalf of taxpayers—

Mr. Randy Hillier: Minister, you already answered the question. We'll go on to the next one.

You've got a building that is partially occupied. We have a non-performing default loan that the taxpayer is on the hook for. We've bailed out an American developer. And I just have to say, who else loses money on real estate in downtown Toronto these days? It's just about astonishing.

But I want to ask this, Minister—because you're so adamant about taking risk away from the taxpayers and investing wisely for the taxpayers. We know that we now have to also manage and operate this building, according to what we've taken over from ARE. What is the added-on cost? How much more, with the relocation of Public Health Ontario from Resources Road to those four floors, the relocation of the level 3 lab—and this is a level 3 lab. They do testing on specimens and investigations on diseases such as encephalitis, SARS—they won't do Ebola; that's level 4. But that's the level of laboratory work that will be taking place next door to Queen's Park here and next door to our hospitals.

I want to ask this minister: How much more money is being paid out in rent for that lab that we just spent \$38 million on to renovate out on Resources Road? We're

moving those people down here. We're going to leave the warehouse out on Resources Road. What's the added cost to the taxpayer now, and where is that factored into the estimates? What is the square footage cost for those four floors? What's the total cost to the taxpayer?

Hon. Brad Duguid: Well, Madam Chair, the member's meandering, uninformed as it is on this issue, suggests somehow or another that Ernst and Young's report to us and analysis—

Mr. Randy Hillier: What is the added cost?

Hon. Brad Duguid: —of this building and the investments that we as a government have made in MaRS somehow results in a loss. Madam Chair, that is absolutely untrue, and if the member was here yesterday—

Mr. Randy Hillier: So this is a wise investment?

Hon. Brad Duguid: And I'm sure the member listened very carefully to what I had to say yesterday, and I'm sure the member would not want to suggest Ernst and Young is not a credible organization. They've said—

Mr. Randy Hillier: Minister, do you know what the cost is?

Hon. Brad Duguid: —that the investment that we've made in MaRS is equal to or less than the value of the building. So when the member suggests in his meandering, uninformed as it is, that somehow there is an inherent loss here, he must have information that I don't have.

Mr. Randy Hillier: We have no oversight, we have no accountability and we obviously don't know what the rent is going to be.

Hon. Brad Duguid: At this point in time, Ernst and Young has been very clear that that's simply untrue.

Mr. Randy Hillier: I asked you what the rent is. What is the added cost? Do you know? Do you know what the added cost is?

Hon. Brad Duguid: Any questions with regard to Public Health Ontario are not part of my estimates and the member would understand that.

Mr. Randy Hillier: But you're managing and operating the building now. You just bought out ARE. That was their obligation. You've just stated that to the committee.

Hon. Brad Duguid: I'm trying to answer your question, but you keep interrupting me. Go ahead. Keep interrupting me; I'll wait.

Mr. Randy Hillier: You don't know how much the cost is that you're charging out, because, as you said, you've bought out those interests. You're managing and operating that MaRS 2 tower. You don't know that question.

Hon. Brad Duguid: Well, you haven't given me a chance to—

Mr. Randy Hillier: Let me—

Hon. Brad Duguid: No, hold on. You haven't given me a chance to respond. I think you really ought to give me a chance to respond. But you go on to your next question. It's your time. I don't want to manipulate your time, but I hope that your next question has more accuracies than your previous one.

Mr. Randy Hillier: Okay. Next question. Minister, I'll go to the next question, then.

Minister, this bailout, now over \$300 million, that we're looking at right now—and we don't know what the upset limit of the transaction costs for MaRS is, but this clearly—the Premier stated very unequivocally, looking at the asset sales such as the LCBO, and mentioned specifically the LCBO building, that money was going to be realized and then invested into infrastructure and roads. It appears to me we're bailing out MaRS. This bailout is a lot more than the money realized from the LCBO sales; don't you agree?

Hon. Brad Duguid: No.

Mr. Randy Hillier: No. Okay.

The Chair (Ms. Cindy Forster): Mr. Hillier, you have about two minutes left.

Mr. Randy Hillier: Minister, does it concern you that between all the grants and all the bailouts that are going down the road to MaRS, in all these various for-profit and not-for-profit entities controlled by MaRS—do you not believe that the taxpayer should have some oversight, some scrutiny, some examination of what is going on with all the money that is going there? With every other agency or delegated authority, we put in place procedures and methods to protect the taxpayer. This organization that gets truckloads of money and gets bailed out when they lose money on real estate in downtown Toronto and we end up taking back their mortgages—we have no influence, no oversight, no scrutiny. It's hard to even find out which arm of MaRS we're dealing with here, out of all their different arms. Does that not concern you? Do you think that fits with your mandate of investing wisely and being open and transparent?

1050

The Chair (Ms. Cindy Forster): You have one minute left.

Hon. Brad Duguid: I think what concerns me is the fact that the PC Party seems to be making a sharp right turn away from the policies that they endorsed when they were in government.

Let me just quote quickly, in the minute I have left—and I may have to re-quote this—the Honourable Jim Flaherty, back in April 2003: “Ontario is demonstrating leadership and foresight with this investment in the MaRS Discovery District. We are also pleased that the federal government shares our vision by matching our contribution to this world-class medical and biotech—”

Mr. Randy Hillier: That's when it was viable, not in default.

Hon. Brad Duguid: “—research centre in Toronto. This initiative will accelerate Ontario's growth in research, innovation and commercialization.”

The PCs believed in this investment then. Today, they're suggesting that somehow or another we just throw out our investments to the biotech sector, throw out the vision that MaRS currently has, and not pay any attention to—

Mr. Randy Hillier: Is MaRS 2 insolvent, Minister?

Hon. Brad Duguid: —the fact that we need to continue to grow the economy and create jobs.

Madam Chair, we're going to take a sensible approach to this issue.

The Chair (Ms. Cindy Forster): Your time is up, Minister.

Hon. Brad Duguid: I'll continue to talk about this in the next round, I'm sure. Thank you.

The Chair (Ms. Cindy Forster): Third party: Mr. Hatfield, you've got 20 minutes.

Mr. Percy Hatfield: Minister, for the record, I heard you a little bit ago talk about the high cost of real estate in downtown Toronto, a 10-year plan on renovating the Macdonald Block and aging government infrastructure. For the record, let me offer you the opportunity, should you choose, to move Queen's Park to Windsor. It would be a lot cheaper. Housing is much less costly. You could build a brand new campus. Your square footage for each government employee could be contained closer to the private sector square footage. There are all kinds of ample opportunities, should you choose this offer.

Hon. Brad Duguid: And you have a casino, which Toronto doesn't have.

Mr. Percy Hatfield: Yes. I hope to be able to walk you through there in a couple of weeks—

Hon. Brad Duguid: You just might.

Mr. Percy Hatfield: —and show you the machines that pay out. There are 15 of them, but they're all ATMs.

In the last round of questions, we gave the example of St. Joseph's Healthcare, the West 5th Campus AFP, which only made economic sense as an AFP because the contract was basically doubled over the projected budget because the historical cost overrun of hospitals built the traditional way was set at 95%.

I'll ask again: Can you table the evidence that hospitals in Ontario historically have cost overruns of almost 100%? It's a simple question. Can you table the evidence with this committee that hospitals built the traditional way have historical cost overruns of close to 100%?

Hon. Brad Duguid: I'll refer that question to my deputy. I will just make a preliminary comment. We really are proud of the 23 hospitals we have built in the last 10 years. You would be hard-pressed, I think, to find a government—certainly in recent history—that has been able to accomplish that. Our recent builds, many of them have been through the AFP process. They have been successful to date, on time and on budget, which is important to taxpayers; it's important to those who will be able to use those hospitals.

It's been my view, really, that a patient in a hospital just wants to see their hospital. They are less concerned about the philosophy behind whether there are private-public partnerships helping to build that hospital or not.

I think it's also important to note that without some of the longer-term financing arrangements through AFPs that allow us to do a little more upfront construction in our projects, we may not have been able to build as much as we've been able to build in this province because it would have required more upfront investment. I think

that's important to note as well, that our record level of investment in infrastructure—hospitals, roads, bridges, schools—may not have been quite as impressive were we not able to also engage in the longer-term financing opportunities that are involved with the AFPs.

But I'll move it over to the deputy, now that he's had an opportunity to give some thought to your question.

Mr. Percy Hatfield: Thank you.

Mr. Giles Gheron: Thank you. I think my colleague Chris Giannekos was going into some of the comparators and comparisons that have been made between studies. I think you'll acknowledge that there are a number of studies that are out there and they all take, by definition, a selective view as they're trying to understand the true cost of these projects.

There is a study we have that endeavored to try to understand these cost factors. If I may just turn it over to my colleague, he will, I think, read some of it into the record. It may explain and help elucidate the questions that you've had.

The Chair (Ms. Cindy Forster): Could you identify yourself, please?

Mr. Chris Giannekos: Yes. Chris Giannekos, assistant deputy minister.

The Chair (Ms. Cindy Forster): Thank you.

Mr. Chris Giannekos: Mr. Hatfield, with your permission and your indulgence, I have in front of me a study that was conducted by Timothy J. Murphy: *The Case for Public-Private Partnerships in Infrastructure*, Canadian Public Administration, volume 51, no. 1, March 2008, pages 99 to 126. What I'm going to quote for you is on page 104, at the bottom of the page. It has to do with the discount rate and the cost to capital, and the point that I was trying to make with respect to what is the appropriate rate at which the government should discount traditional projects.

Mr. Percy Hatfield: For hospitals or for all projects?

Mr. Chris Giannekos: For all projects.

If I may quote: "Assessing the cost of money between a P3 and a traditional procurement makes a false comparison, since it fails to take into account which party bears the risk. In traditional government procurement, the lower borrowing rate assumes that the project is risk free, which it isn't. The risk is underwritten by the taxpayer. In a P3, however, the risks and potential costs are underwritten by the private sector, albeit compensated by an appropriate return. In other words, in a P3 procurement, the government is paying an insurance premium to protect against the risk of higher costs, rather than self-insuring at a zero premium cost but at a potentially high failure cost. To make an accurate comparison, it is not the cost, but the net benefit, taking into account all factors, that is the most relevant benchmark."

This is just one of many studies that talks about the social discount rate and what is the appropriate social discount rate. It has been a topic of debate in literature and academia for a very long time. What I'm suggesting here is that that debate is going to continue, that you will get

studies on both sides of the equation, and that, at the end of the day, one has to balance between the two.

What we try to do with the AFP is evolve it as much as we can. This is just one area, the discount rate. There are many others.

All I'm trying to say here is that there are many studies that are for, many studies that are against, and I'm a little worried that if we just pick and choose the studies, we're not going to be able to give a fulsome picture of the true complexity of this. My fear is, my trying to answer some complicated questions that you're posing to us in 30-second sound bites will distort what is really a very complicated thing to discuss.

With all due respect, I just wanted to put that on the table. I didn't want to get into a situation for which every study that you provide, I would go and find another study that says the opposite, because there's a large number of studies out there. What we're trying to do is understand the failings of AFP, the benefits of AFP and see how we can improve it over time.

Like I said yesterday, it's not perfect. It also does not account for a significant portion of the government's traditional build, but it is something that we believe it is prudent to pursue because it's about continuous improvement. At the end of the day, will AFP be the final solution to perfect procurement? I don't know. But what we're trying to do is go through it, understand it and improve it as best we can. That is the policy oversight that we provide to IO.

1100

Mr. Percy Hatfield: Thank you for that full explanation. I know we have competing studies and competing experts. But when we deal with a specific example such as the St. Joseph's Healthcare West 5th Campus in Hamilton, are you saying that not only should we pay private consortia up to 100% more than the base budget, as was the case, because of the risk of the cost overrun, but we also have to pay an interest rate higher than the government rate because of the risk of the cost overrun? Both factors that are the basis of the critique of P3s in this country have to reflect the cost of the overrun. Is that correct?

Mr. Chris Giannekos: You have me at a bit of a disadvantage in that you have all the facts and have had time to study them, and I have not. For me to be able to provide a fulsome answer, we would actually need time to go through it and understand it. Again, with all due respect, I can come up with another example that will prove the opposite.

Mr. Percy Hatfield: Another example in this hospital case?

Mr. Chris Giannekos: Another AFP or another hospital can probably do the same, and we would be going backwards and forward here for a considerable amount of time. All I'm trying to say is, if I may be balanced in my response to you, I think the verdict in terms of P3s versus non-P3s is going to be a question of debate for time to come. What we're trying to do is find out what are the best elements of an AFP or a hybrid of an AFP or what-

ever the model may be, so that we can provide the best value to the taxpayer. I am wary of trying to be seen as a 100% proponent of either a traditional model, an AFP or some other form of P3. All I'm saying is, our job is to try and understand and evolve the model that provides the best value for the taxpayer. Your comments in that context are welcome, and studies or examples that you can provide us where you have found that the AFP may not be working would also be welcome for us to understand and use to influence our work.

Mr. Percy Hatfield: Thank you. Would you accept the argument that you are paying a massive overrun premium on all these AFPs?

Mr. Chris Giannikos: I cannot comment on that without further work.

Mr. Percy Hatfield: Let me go back and ask again if you can table with the committee any evidence that hospital cost overruns built the traditional way are 100%-plus. If both overpayment factors have to reflect the risk, it makes it absolutely crucial that you table proof that cost overruns are what you say they are. Right? We should know that based on—the evidence, Minister, that we have is that you're massively overpaying for the risk assumed by these AFPs. I will gladly allow you the opportunity to prove us wrong by tabling the evidence at 9 o'clock the day of our next meeting that the historical cost overruns are what you say they are. I think we should try to look at the evidence that you have and get it in front of us so we can see, finally, just what these overruns are. There's got to be evidence there somewhere. Will you endeavour to do that, sir?

Hon. Brad Duguid: We'll do our very best, as always, and as we indicated. A lot of the information is in a number of different outside-of-government reports that our public servants look at and use to garner their advice, including some of the quotes I believe the ADM was using today. We'll do our best, but I think I've outlined why we have gone the AFP route where appropriate. Not in the extreme—the vast majority of projects are still done through the traditional method. But we've outlined, I think, what our position is on this, and we're aware of your position. We don't expect today to convince you otherwise, and I suspect you don't expect to convince us otherwise. It's a healthy discussion that we're having today. If there's information that we can provide, we'll do our very best to provide it.

At the end of the day some of this information comes from a number of different sources. All the experts in this area don't exist within our ministry. They look at the material abroad, the material available and they give their best judgments, and Infrastructure Ontario gives their best judgments as to how we ought to move forward project by project. It's not an overall, philosophical, everything-has-to-be-done-by-one-particular-method method. They look at it individual project by individual project. We'll endeavour to do our very, very best for you.

Mr. Percy Hatfield: Have you, Minister, heard from the industry that when you bundle huge construction projects and they become such a massive value of construc-

tion, that you are basically eliminating domestic providers—construction companies—because it seems that a lot of the European companies, perhaps being subsidized by their government in one way or another, are the ones that are jumping on Ontario's major construction projects at the expense of local construction companies because of the value of the bundle of the projects?

Hon. Brad Duguid: I can't say that I've heard that explicitly but I may have, through the years, heard concerns often expressed from smaller businesses in trying to get access, in general, to government procurement. We try to make efforts, and we've tried through the years to make efforts to procure at least some of what government does to make it accessible to some of the smaller companies. I wouldn't suggest that there isn't room for improvement there.

What I've heard, of late, is the opposite: The fact that we do consider local experience to be very relevant in the success rates for our projects and relevant in our consideration—not the only consideration but one of the considerations. I've heard from the opposite end, from jurisdictions outside of Ontario, that they see us in an opposite light. But I think we have to strike a balance in these things. I think we're always open to ideas that will ensure that in particular small or medium-sized companies still have access to this work. A lot of them do. They subcontract and work through the consortiums that are built up. Often, they're the ones that end up doing a lot of the work at the end of the day. But I think there's always room for consideration of improvement there.

Mr. Percy Hatfield: Thank you.

The Chair (Ms. Cindy Forster): No more questions?

Mr. Percy Hatfield: Not at this time.

The Chair (Ms. Cindy Forster): Okay.

Hon. Brad Duguid: Madam Chair, maybe on more of a point of order, the deputy just wants to correct the record.

Mr. Giles Gherson: I'd like to correct the record that was in response to Mr. Hillier's question.

Hon. Brad Duguid: Mr. Hillier, the deputy is just correcting the record on a response to one of your questions.

Mr. Randy Hillier: Okay.

Mr. Giles Gherson: You asked me what the name was of the entity that received the loan. I said it was MaRS Discovery District, which is the overarching—

Mr. Randy Hillier: Services, you said.

Mr. Giles Gherson: No, I said MaRS Discovery District.

Mr. Randy Hillier: Okay.

Mr. Giles Gherson: What I should have said was that it is an entity of that—a unit, if you will—that was created for that project, called MaRS Phase 2 Inc.

Mr. Randy Hillier: MaRS Phase 2 Inc.?

Mr. Giles Gherson: That's correct.

Mr. Randy Hillier: I'll have to go through it but, you might know it offhand: Is that a for-profit or a not-for-profit?

Mr. Giles Gherson: It's a not-for-profit.

Mr. Randy Hillier: Phase 2 Inc. is a not-for-profit as well.

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The Chair (Ms. Cindy Forster): Thank you.

Okay. So we're going to actually end there—

Mr. Ted Arnott: Point of order, Madam Chair.

The Chair (Ms. Cindy Forster): Yes, Mr. Arnott?

Mr. Ted Arnott: I asked my staff to provide me with the information that the deputy minister indicated was on the Internet. Building Together: Jobs and Prosperity for Ontarians; Ministry of Infrastructure—I assume that's the document you were referring to when you said that it's on the Internet; the 10-year infrastructure plan that the government has said is on the Internet.

To suggest that it is a comprehensive list of all the projects that the government has committed to or approved would be a stretch. You didn't say that, but certainly that's what we're looking for. We're looking for a comprehensive list of the government's 10-year projects that have been approved or the government has confirmed as supporting, and that is not in the public domain, as far as I know.

Hon. Brad Duguid: I'll be happy to let the deputy respond to that as well.

Mr. Ted Arnott: Again, I'm not suggesting—you said that the plan was on the Internet.

Hon. Brad Duguid: No, I understand.

Mr. Ted Arnott: I've got it here, I think. What I'm suggesting is that the plan does not give a comprehensive list.

Hon. Brad Duguid: I'll ask the deputy to refer you to a website that provides the list of major projects that we've been doing. The list of overall projects would be about 11,000 projects, and many of them would be individual projects by individual ministries. So that's not a list that we would have available for you, I don't believe, but I'll refer it to the deputy. It's better to get his response than mine on that.

Mr. Ted Arnott: Yes. Again, that's what we're looking for.

Mr. Giles Gherson: Sorry, I'm afraid I can't add much more to what the minister said. What we have is the 10-year plan. I think we mentioned yesterday that the 10-year plan will be renewed. If Bill 6 is passed, that will be a requirement of the government. It's kind of a rolling plan as the environment unfolds. In terms of precisely the number of projects—for example, I think you were referring to the \$100-billion spend over the last 10 years—that would be in the order of 11,000 projects, some of them quite large and some of them very, very small. They are, as the minister said, for the most part, under the aegis of different ministries. Each ministry tends to, on their websites, have lists of their major projects. The 10-year plan that we referred to also has a list of major projects, but it's not an exhaustive list, for the reasons that I've described.

Mr. Ted Arnott: It's not comprehensive.

Mr. Giles Gherson: Correct.

Mr. Ted Arnott: There's a reference to hospital projects, and I'm aware that there are 160 hospital projects that the Ministry of Health and Long-Term Care are dealing with at their capital branch. Again, it isn't a comprehensive list. We would like to get that comprehensive list of 11,000 projects.

Mr. Giles Gherson: To the degree that the hospital projects are AFP, they are listed in the IO site, where they list the projects that are completed and under way.

Mr. Ted Arnott: Which would be a partial list.

Mr. Giles Gherson: Yes, but it would be the AFP list, which is, I think—

Interjection.

Mr. Giles Gherson: Eighty.

Mr. Ted Arnott: Again, our humble request would be to get that list of the projects. If the government has it, I would hope that all the committee members could receive that.

Mr. Giles Gherson: I'm afraid the answer is: We don't, for the reasons I've described.

Mr. Ted Arnott: You have a number of 11,000.

Mr. Giles Gherson: Eleven thousand, yes.

Mr. Ted Arnott: So there's a list.

Mr. Giles Gherson: I said "in the order of." I can't tell you with any precision the absolute number of projects over the last 10 years. Some are very small and are repair projects or putting gravel on a road in northern Ontario where the Ministry of Natural Resources has sought to do that, and that's not something we would record.

The Chair (Ms. Cindy Forster): You're good, Mr. Arnott? Okay.

We're going to deal with a few housekeeping issues. The members' questions and answers from yesterday and today will be ready from research on Monday for you to review. At the end of today, we have four hours and 30 minutes left for the infrastructure ministry, and at the end of Tuesday next week, we will have one hour.

Interjection.

The Chair (Ms. Cindy Forster): Right. So we will be bringing in the Minister of Transportation and that ministry in the afternoon next Wednesday for roughly an hour—Tuesday morning, infrastructure; Wednesday morning, a little bit of infrastructure and then transportation following that. Any questions?

Mr. Bas Balkissoon: Madam Chair, did you say transportation is just coming for an hour?

The Chair (Ms. Cindy Forster): An hour and 15 minutes.

Mr. Han Dong: For Wednesday.

Mr. Bas Balkissoon: For Wednesday.

The Chair (Ms. Cindy Forster): For Wednesday. We're adjourned.

The committee adjourned at 1115.

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